

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 EB-07 CIAE-00 INR-07 NSAE-00

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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 322

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AMEMBASSY TOKYO

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USDOC FOR BEWT/DOWNEY

E.O. 11652: N/A

TAGS: ETRD, EEWT, SU, JA, US

SUBJECT: SOVIETS PURCHASE US-LICENSED EXCAVATORS FROM JAPAN

1. ONE OF MORE INTERESTING NEGOTIATIONS RECENTLY CONDUCTED IN MOSCOW HAS INVOLVED COMPETITION BETWEEN THREE US-JAPANESE TEAMS FOR SOVIET ORDER FOR LARGE EXCAVATORS TO BE USED IN SOUTH YAKUTSK COAL PROJECT. FOLLOWING LENGTHY NEGOTIATIONS IN MOSCOW, TOKYO, AND U.S., ORDER FOR 10 EXCAVATORS (WITH 20 CUBIC METER SHOVELS) WENT TO SUMITOMO/MARION POWER SHOVEL TEAM. LOSING TEAMS WERE NISHO-IWAI/P&H AND KOMATSU/BUCYRUS ERIE. ORDER IS VALUED AT ABOUT DOLLARS 15 MILLION.

2. MOST INTERESTING ASPECT OF THIS CASE IS THAT SOVIETS, BY ALL APPEARANCES, DID NOT WANT TO BUY SHOVELS THROUGH JAPAN. NONE OF JAPANESE COMPANIES INVOLVED HAVE EVER MADE SHOVELS OF SIZE REQUIRED FOR SOUTH YAKUTSK PROJECT, AND SOVIETS WERE UNDERSTANDABLY CONCERNED OVER FACT THAT THEY WERE BUYING ESSENTIALLY UNTESTED ITEMS. DURING HIS FEBRUARY 1975 VISIT TO U.S, DEPUTY MINISTER OF FOREIGN TRADE SUSHKOV REPORTEDLY ADVISED MARION POWER SHOVEL THAT SOVIETS WOULD PLACE ORDER IN U.S. IF SOME SORT OF FINANCING COULD BE ARRANGED. EFFORTS TO ARRANGE THIS FINANCING, ACCORDING TO MARION REPS, WERE

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UNSUCCESSFUL, AND ORDER EVENTUALLY WENT TO JAPANESE. MARION

EXPECTS TO SUPPLY CERTAIN SUB-ASSEMBLIES FOR SHOVELS BUT BULK
OF WORK WILL BE DONE IN JAPAN.

3. COMMENT: THIS CASE IS INTERESTING EXAMPLE OF IMPORTANCE
WHICH SOVIETS APPEAR TO ATTACH TO BUYING ON CREDIT, WHENEVER
POSSIBLE, EVEN IF THIS POLICY INVOLVES SERIOUS RISKS OF
OBTAINING LESS SATISFACTORY EQUIPMENT. THIS EXPERIENCE WOULD
TEND TO CONFIRM OUR VIEW THAT U.S. CAPITAL EQUIPMENT PRODUCERS
FACE REAL PROBLEMS ON THIS MARKET AS CONSEQUENCE OF CREDIT
SITUATION WHEN COMPETITIVE OFFERS FROM WESTERN EUROPE OR JAPAN
ARE ON TABLE.

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